

## **MUNICIPAL TAX DIFFERENTIAL**

### **PROGRAM INFORMATION**

The Tax-Property Article of the Annotated Code of Maryland (Title 6, Subtitle 6-305) mandates that the County recognize, through either a reduced County tax rate or direct grant payment, those governmental services and programs that municipal governments perform in lieu of similar County services, to the extent that these similar services are funded through the property tax rate.

### **FINANCIAL SUMMARY**

Under the provisions of Title 17, Subtitle 10, Division 6 of the Public Local Laws of Prince George's County, each town's cost of each service identified in the prior-year County budget is assigned a tax rate equivalency value after adjustments are made to offset revenue directly allocable to a specific service. The aggregate town requests for "in lieu of" service credit, as certified by the County, are translated into a dollar value, which is the sum of the products of the tax rate equivalent cost of the service multiplied by each town's tax base. Each of these net service values is then reduced to reflect the portion of each County service paid for by the property tax levy. The sum of the tax rate values of the services constitutes the tax rate differential accruing to each town, i.e., the amount by which the County unincorporated area property tax rate will be reduced in each respective town.

Beginning with FY1999, County legislation set a five-year rolling average for changes in the municipal differential rates. In FY2004, this will change to a three-year rolling average. The purpose of this modification is to provide stability to municipal residents' County tax rates, smoothing what could otherwise be large rate changes that could be triggered by a reorganization of County services, economic fluctuations, changes in municipal service levels, or other factors.

In 2000, Maryland Senate Bill 626 provided that, beginning in FY2001, property tax rates shall be applied to 100% of the market value of real property, rather than the 40% for most real property under previous law, and that county real property tax rates and municipal tax differentials be adjusted to make the impact revenue neutral. As a result, starting from FY2002, a separate real property tax rate and a separate personal property tax rate have been applied. Also, a separate real property tax differential and a separate personal property tax differential have been applied, in accordance with State law and the County code (CB-1-2001).

FY2003 Tax Differential Rates					
Municipality	FY2003 TaxDifferential		FY2003 Value		
	Personal Property	Real Property	Personal Property	Real Property	Total
Berwyn Heights	0.357	0.143	\$ 80,888	\$ 224,551	\$ 305,439
Bladensburg	0.377	0.151	60,693	350,933	411,626
Bowie	0.044	0.018	28,603	590,563	619,166
Brentwood	0.048	0.019	1,946	18,914	20,860
Capitol Heights	0.291	0.117	23,270	186,656	209,926
Cheverly	0.342	0.137	56,090	412,563	468,653
College Park	0.044	0.018	33,400	160,795	194,195
Colmar Manor	0.052	0.021	1,192	10,643	11,835
Cottage City	0.323	0.130	7,699	67,625	75,324
District Heights	0.348	0.140	18,263	302,256	320,519
Eagle Harbor	0.014	0.005	7	189	196
Edmonston	0.344	0.138	16,996	108,561	125,557
Fairmount Heights	0.093	0.037	1,341	20,386	21,727
Forest Heights	0.208	0.083	5,191	85,791	90,982
Glenarden	0.311	0.125	7,201	274,939	282,140
Greenbelt	0.382	0.153	382,073	1,664,021	2,046,094
Hyattsville	0.376	0.151	273,436	894,034	1,167,470
Landover Hills	0.361	0.145	12,094	77,187	89,281
Laurel	0.419	0.168	462,698	1,934,689	2,397,387
Morningside	0.320	0.128	4,945	80,227	85,172
Mount Rainier	0.369	0.148	16,333	285,311	301,644
New Carrollton	0.040	0.016	4,248	65,029	69,277
North Brentwood	0.029	0.012	367	2,872	3,239
Riverdale Park	0.381	0.153	70,215	419,609	489,824
Seat Pleasant	0.350	0.140	20,326	230,790	251,116
University Park	0.350	0.140	6,743	254,862	261,605
Upper Marlboro	0.188	0.075	36,530	43,200	79,730
Total			\$ 1,632,788	\$ 8,767,196	\$ 10,399,984